

MONTANA SENATE
2007 LEGISLATURE

STATE ADMINISTRATION

ROLL CALL

DATE 2-23-07

NAMES	PRESENT	ABSENT	EXCUSED
SEN. JOE BALLYEAT (R)	✓		
SEN. VICKI COCCHIARELLA (D)	✓		
SEN. JEFF ESSMANN (R)	✓		
SEN. STEVE GALLUS (D)	✓		
SEN. LARRY JENT (D)	XXXXXX		✓
SEN. RICK LIABLE (R)	✓		
SEN. JESSE LASLOVICH (D)	✓		
SEN. DAVE LEWIS (D)	✓		
SEN. JIM SHOCKLEY (R)	✓		
SEN. JOE TROPILA (D)	✓		
SEN. CAROLYN SQUIRES (D) CHAIR	✓		
DAVE BOHYER, LSD	✓		
CAROL ANDERSEN, SECRETARY	✓		



SENATE STANDING COMMITTEE REPORT

February 24, 2007

Page 1 of 1

Mr. President:

We, your committee on **State Administration** recommend that **Senate Joint Resolution 21**
(first reading copy -- white) **do pass.**

Signed:

Carolyn Squires
Senator Carolyn Squires, Chair

- END -

Committee Vote:

Yes 10, No 0

Fiscal Note Required

KJ

420855SC.ssc



SENATE STANDING COMMITTEE REPORT

February 24, 2007

Page 1 of 1

Mr. President:

We, your committee on **State Administration** recommend that **Senate Bill 538** (first reading copy -- white) **do pass**.

Signed:

Carolyn Squires
Senator Carolyn Squires, Chair

- END -

Committee Vote:

Yes 10, No 0

Fiscal Note Required ☒

420856SC.ssc



SENATE STANDING COMMITTEE REPORT


February 24, 2007

Page 1 of 1

Mr. President:

We, your committee on **State Administration** recommend that **Senate Bill 532** (first reading copy -- white) **do pass**.

Signed:


Senator Carolyn Squires, Chair

- END -

Committee Vote:

Yes 10, No 1

Fiscal Note Required K1

420859SC.ssc



SENATE STANDING COMMITTEE REPORT

February 24, 2007

Page 1 of 1

Mr. President:

We, your committee on **State Administration** recommend that **Senate Bill 517** (first reading copy -- white) **do pass**.

Signed:

Carolyn Squires
Senator Carolyn Squires, Chair

- END -

Committee Vote:

Yes 6, No 5

Fiscal Note Required

K7

420857SC.ssc



SENATE STANDING COMMITTEE REPORT

February 24, 2007

Page 1 of 2

Mr. President:

We, your committee on **State Administration** recommend that **Senate Bill 534** (first reading copy -- white) **do pass as amended.**

Signed:

Carolyn Squires
Senator Carolyn Squires, Chair

And, that such amendments read:

1. Title, page 1, line 4 through line 6.

Strike: "PROVIDING THAT" on line 4 through "REAL PROPERTY;" on line 6

2. Page 1, line 14 through line 17.

Strike: section 1 in its entirety

Renumber: subsequent sections

3. Page 1, line 22.

Strike: "[section 1]"

Insert: "subsection (3)"

4. Page 1, line 24 through line 25.

Strike: "common school" on line 24 through "cash assets" on line 25

Insert: "general fund"

5. Page 2, line 15.

Following: "school trust"

Insert: "pursuant to an asset management plan"

6. Page 2.

Following: line 18

Insert: "NEW SECTION. Section 3. Land acquisition --

sales.(1) For each acre acquired from the common school asset management account, 1 acre of isolated parcels, as defined in 77-2-361, must be sold in accordance with the procedures in 77-2-363 (2) through (4).

(2) Proceeds from the sale of lands pursuant to this section

Committee Vote:

Yes 7, No 4

Fiscal Note Required

KJ

420858SC.ssc

February 24, 2007

Page 2 of 2

must be deposited into the state land bank fund provided for in
77-2-362."

7. Page 2, line 22.

Strike: "5"

Insert: "3"

- END -



SENATE STANDING COMMITTEE REPORT

February 24, 2007

Page 1 of 2

Mr. President:

We, your committee on State Administration recommend that Senate Bill 219 (first reading copy -- white) do pass as amended.

Signed:

Carolyn Squires
Senator Carolyn Squires, Chair

And, that such amendments read:

1. Title, page 1, line 6 through line 7.

Following: "EXCEPT" on line 6

Strike: "ACCUMULATED" through "TIME" on line 7

Insert: "AS AUTHORIZED BY LAW"

2. Page 1, line 17.

Following: "receive"

Insert: ": (i) "

3. Page 1, line 19.

Following: "employer"

Insert: "; and

(ii) if the termination is the result of a reduction in force, severance pay and a retraining allowance as provided for in 2-18-622"

4. Page 1, line 21.

Following: "(2)(a)"

Insert: "(i) or (2)(b)(ii) "

5. Page 1, line 22.

Following: "to"

Insert: ": (a) "

Following: "benefits"

Insert: ";

(b) a payment, settlement, award, or judgment that involves a potential or actual cause of action, legal dispute, claim, grievance, contested case, or lawsuit; or

Committee Vote:

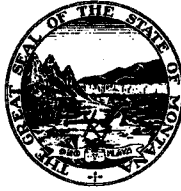
Yes 10, No 1

Fiscal Note Required K1

420900SC.ssc

(c) any other payment authorized by law"

- END -



SENATE STANDING COMMITTEE REPORT

February 24, 2007

Page 1 of 2

Mr. President:

We, your committee on **State Administration** recommend that **Senate Bill 497** (first reading copy -- white) **do pass as amended**.

Signed: _____

Carolyn Squires
Senator Carolyn Squires, Chair

And, that such amendments read:

1. Page 2, line 1.

Strike: "ceiling murals"

Insert: "mural"

2. Page 2, line 14.

Strike: "ceiling murals"

Insert: "a mural"

3. Page 2, line 19.

Strike: "murals"

Insert: "mural"

4. Page 2, line 21.

Strike: "murals"

Insert: "mural"

5. Page 2, line 22 through line 23.

Following: "renewal" on line 22

Strike: ", " through "capitol" on line 23

6. Page 1, line 23.

Following: "."

Insert: "The location of the mural must be determined by the commission in consultation with the capitol complex advisory council."

7. Page 3, line 14.

Strike: "murals"

Committee Vote:

Yes 10, No 1

Fiscal Note Required _____ *K1*

420901SC.ssc

Insert: "mural"

8. Page 4, line 14.

Strike: "The"


Insert: "Except as provided in [section 1(4)], the"

- END -

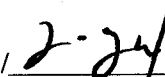
COMMITTEE FILE COPY

TABLED BILL

The **SENATE STATE ADMINISTRATION COMMITTEE** TABLED **SB 358**, by motion, on **Friday**,
February 23, 2007.


(For the Committee)


(Secretary of the Senate)


(Time) (Date)

February 24, 2007

Lois A. O'Connor, Secretary

Phone: 444-4772

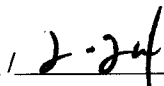
COMMITTEE FILE COPY

TABLED BILL

The **SENATE STATE ADMINISTRATION COMMITTEE** TABLED SB 526, by motion, on **Friday, February 23, 2007.**


(For the Committee)


(Secretary of the Senate)


(Time) (Date)

February 24, 2007

Lois A. O'Connor, Secretary

Phone: 444-4772

MONTANA STATE SENATE
2007 LEGISLATURE

STATE ADMINISTRATION

ROLL CALL VOTE

DATE 2-23-07 BILL NO. SB-532 NUMBER _____

MOTION: TABIE

failed 5-6

NAME	AYE	NO
SEN. JOE BALLYEAT (R)	✓	
SEN. VICKI COCCHIARELLA (D)		✓
SEN. JEFF ESSMANN (R)	✓	
SEN. STEVE GALLUS (D)		✓
SEN. LARRY JENT (D)		✓
SEN. RICK LAIBLE (R)	✓	XXXXXX
SEN. JESSE LASLOVICH (D)		✓
SEN. DAVE LEWIS (R)	✓	
SEN. JIM SHOCKLEY (R)	✓	
SEN. JOE TROPILA (D)		✓
SEN. CAROLYN SQUIRES (D) - CHR		✓
	55	6

MONTANA STATE SENATE
2007 LEGISLATURE

STATE ADMINISTRATION

ROLL CALL VOTE

DATE _____ BILL NO. SB-534 NUMBER _____

MOTION: No Pass As Amended

Passed 7-4

NAME	AYE	NO
SEN. JOE BALLYEAT (R)		✓
SEN. VICKI COCCHIARELLA (D)	✓	
SEN. JEFF ESSMANN (R)		✓
SEN. STEVE GALLUS (D)	✓	
SEN. LARRY JENT (D)	✓	
SEN. RICK LAIBLE (R)	✓	✓
SEN. JESSE LASLOVICH (D)	✓	
SEN. DAVE LEWIS (R)		✓
SEN. JIM SHOCKLEY (R)	✓	
SEN. JOE TROPILA (D)	✓	
SEN. CAROLYN SQUIRES (D) - CHR	✓	
	7	4

SENATE PROXY FORM

According to Senate Rule 30-70 (13) (f) , a committee member may vote by proxy using a standard form.

PROXY VOTE

I, the undersigned, hereby authorize Senator Cocchiarella

to vote my proxy on any issue before the Senate State Administration

_____ Committee

held on 2/23/07, 2007.

SB 532 Table-NO

SB 534 as amended
yes

SB 532 do pass-yes/any Just

SENATOR

STATE OF MONTANA

SB 517 do pass-no

SB 219 as amended yes

SB 534 amend yes

SB 497 as amended
yes

**MONTANA STATE SENATE
2007 LEGISLATURE**

STATE ADMINISTRATION

VISITOR REGISTER

DATE 2-23-07

BILLS BEING HEARD TODAY SB-517; SB-526; SB-532;
SB-534; SB-538; SS-21

PLEASE PRINT

NAME	PHONE	REPRESENTING	BILL #	SUPPORT	OPPOSE
Janice Hoppes	271-4000	MT Association of Clerks & Recorders	SB 517	✓	
Roy Andes	447-4214	MonTRUST	SB 534		✓
Neil Meyer	754-2265	Swan Valley Sec	SB 534	✓	
Cory Swanson	459-6359	Self	SJ 21	✓	
Melanie Parker	754-2471	Swan Valley	SB 534	✓	
Debra Meyer	754-2265	Swan Valley	SB 534	✓	
Barbara Timmerman	444-5459	MPERA	SB 532		✓
MG Randy Mosley	324-3010	DMA/NB	SJ 21		
Willis Vukobratovic	443-6725	The Nature Conservancy	SB 534	✓	
JIM STONE	793-5830	LANDOWNER/B.F. CHALLENGE	SB 534	✓	
Janice Williams	443-6237	MT Nature Conservancy	SB 534	✓	
ROBERT THRESSER	459-6865	MT Assoc. Clerks & Rec.	SB 517	X	
Jason Todhunter	253-3807	MLA	SB 534	X	
John Youngberg	570-4103	MEBF	SB 534		X
Steve Pilscher	439-4126	MT Stockgrowers	SB 534		X
JIM FARRELL	442-9520	MT DEMOCRATIC PARTY	SB 517		X
Beth Breuneman	449-2344	TMT Advocacy Program	SB 517		X
Sheryl Wood	444-4360	MAG	SB 517	X	
Mike Moreni	697-2836	Self	SJ 21	✓	

Robert Throssell 459-6865 MT Wildlife Federation SB 534 ✓

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

X

FILED IN 1954-1955 IN 0520.200

11 3 1954

VISITOR REGISTER

DATE _____

BILLS BEING HEARD TODAY_____

PLEASE PRINT

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2009 Biennium

Bill # SB0532

Title: Revise firefighter retirement laws

Primary Sponsor: Gallus, Steven

Status: As Introduced

Retirement Systems Affected: ☐ Teachers ☒ Public Employees ☐ Highway Patrol ☐ Police
☐ Sheriffs ☒ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
☒ Has the cost of this legislation been calculated by the system's actuary?
☐ Does this legislation include full funding for any benefit revisions?

Overtime Changes Only

	July 1, 2006 Current System	July 1, 2006 With Changes	Increase/ (Decrease)
Present Value of Actuarial Liability	\$255,513,000	\$264,079,000	\$8,566,000
Present Value of Actuarial Assets	\$167,343,000	\$167,343,000	\$0
Present Value of Increased Costs	\$0	\$0	\$0
Actuarial Accrued Liability (AAL) Unfunded/(Funded)	\$88,170,000	\$96,736,000	\$8,566,000
Amortization Period of AAL	15.5	16.8	1.3

Deferred Retirement Option Program (DROP) Changes Only

	July 1, 2006 Current System	July 1, 2006 With Changes	Increase/ (Decrease)
Present Value of Actuarial Liability	\$255,513,000	\$258,114,000	\$2,601,000
Present Value of Actuarial Assets	\$167,343,000	\$167,343,000	\$0
Present Value of Increased Costs	\$0	\$0	\$0
Actuarial Accrued Liability (AAL) Unfunded/(Funded)	\$88,170,000	\$90,771,000	\$2,601,000
Amortization Period of AAL	15.5	17.2	1.7

Fiscal Note Request – SB0532, As Introduced

New Member Changes Only

	July 1, 2006 Current System	July 1, 2006 With Changes	Increase/ (Decrease)
Present Value of Actuarial Liability	\$255,513,000	\$255,513,000	\$0
Present Value of Actuarial Assets	\$167,343,000	\$167,343,000	\$0
Present Value of Increased Costs	\$0	\$0	\$0
Actuarial Accrued Liability (AAL) Unfunded/(Funded)	\$88,170,000	\$88,170,000	\$0
Amortization Period of AAL*	15.5	13.3	(2.2)

*Amortization period declines due to increase in covered payroll

Summary of Three Changes

	July 1, 2006 Current System	July 1, 2006 With Changes	Increase/ (Decrease)
Present Value of Actuarial Liability	\$255,513,000	\$266,911,000	\$11,398,000
Present Value of Actuarial Assets	\$167,343,000	\$167,343,000	\$0
Present Value of Increased Costs	\$0	\$0	\$0
Actuarial Accrued Liability (AAL) Unfunded/(Funded)	\$88,170,000	\$99,568,000	\$11,398,000
Amortization Period of AAL*	15.5	15.9	0.4

*Amortization period declines due to increase in covered payroll

FURS Contribution Rates

	July 1, 2006	July 1, 2007	July 1, 2008	July 1, 2009	July 1, 2010
Ave. Employee Contribution Rate	10.69%	10.69%	10.69%	10.69%	10.69%
Employer Contribution Rate	14.36%	14.36%	14.36%	14.36%	14.36%
State Contribution Rate	32.61%	32.61%	32.61%	32.61%	32.61%
TOTAL Contribution Rate	57.66%	57.66%	0.00%	57.66%	57.66%

PERS Contribution Rates

	July 1, 2006	July 1, 2007	July 1, 2008	July 1, 2009	July 1, 2010
Ave. Employee Contribution Rate	6.90%	6.90%	6.90%	6.90%	6.90%
Employer Contribution Rate	6.90%	6.90%	6.90%	6.90%	6.90%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate	13.80%	13.80%	0.00%	13.80%	13.80%

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	\$1,424,892	\$1,485,450	\$1,548,582	\$1,614,397
Revenue:				
Other-Pension Funds	\$1,860,221	\$1,939,281	\$2,021,701	\$2,107,623
Net Impact-General Fund Balance:	<u>(\$1,424,892)</u>	<u>(\$1,485,450)</u>	<u>(\$1,548,582)</u>	<u>(\$1,614,397)</u>

Description of fiscal impact: This bill changes the definition of compensation (overtime) for the firefighters, entitles new members to join FURS and includes a Deferred Retirement Option Plan (DROP) provision. It also allows members to return to service but there was not a study of the fiscal impact for this provision.

FISCAL ANALYSIS

Assumptions:

General

- Each of the provisions in the bill (as described above) have been analyzed separately and combined.
- These are the only benefit provisions being considered. If other provisions are enacted, the cost associated with this provision may be different.
- This fiscal note is based on the 2006 actuarial valuation.
- No adjustments have been made for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2006.
- Salaries are assumed to increase at 4.25 percent per year, the actuarial assumed rate.

Overtime

- To calculate the fiscal impact in the fiscal summary table, the overtime figures for 2006 were derived using the same percentage of covered payroll (5.9 percent) that was used after obtaining the amount of overtime from employers in fiscal year 2004. It is assumed that overtime represents approximately 5.9 percent of base compensation on the average.
- The actuary assumes 50 percent more overtime (8.9 percent) for the members during their final average compensation period.
- The actuary's long-term projection is that the change in the definition of compensation will cost the system \$8.6 million and extend the amortization period 1.3 years.

Deferred Retirement Option Program (DROP)

- It is assumed that 25 percent of all members eligible for the DROP would elect the DROP at their first opportunity.
- The actuary's long-term projection is that implementing the DROP would cost the system \$2.6 million and extend the amortization period 1.7 years.

New Members

- MPERA has identified three employers that this would probably impact – Missoula Rural, Central Valley Rural and Lockwood Rural.
- It is assumed that 60 full-time PERS firefighters that matched the 2006 active census would transfer to FURS. It is also assumed that no part-time firefighters or other members would transfer to FURS under the terms of this proposal.

Fiscal Note Request – SB0532, As Introduced

13. Certain members of the PERS may transfer to FURS after July 1, 2007. All past service costs are assumed to be financed by the transferring members.
14. All new hires after July 1, 2007 will be members of FURS.
15. New members contributions paid from statutory appropriations.
16. Return to work (960 hours)
17. If member and employer contributions are not going to be made based on the compensation of the rehired retiree, then the system will not be receiving the contribution income that would be paid based on the compensation of a new hire. The phrase "without any effect to the retiree's retirement benefit" seems to imply that the intention here is that no additional benefits would accrue and so presumably there would not be contributions made on the rehired retiree's compensation. So, if this is the case, there would be less contribution income available to amortize UAL than otherwise as a result of this provision.
18. The state pays 32.61% of salaries.

Effect on General Fund

19. The state contribution rate (32.61 percent) will be applicable to the members that transfer to FURS and to the increased salary that is overtime.
20. It is projected the general fund will have to pay an additional contribution of \$481,182 in 2008; \$501,632 in 2009; \$522,952 in 2010; and \$545,177 in 2011 for the overtime (change in the definition of compensation) being included in salary.
21. It is projected that the general fund will have to pay an additional contribution of \$943,710 in 2008; \$983,818 in 2009; \$1,025,630 in 2010; and \$1,069,220 in 2011. That is the projected salary of the new members' times the contribution rate of 32.51 percent (32.61 percent (FURS) minus 0.1 percent (PERS)).

	FY 2008	FY 2009	FY 2010	FY 2011
Overtime	481,182	501,632	522,952	545,177
New Members	943,710	983,818	1,025,630	1,069,220
Total General Fund	1,424,892	1,485,450	1,548,582	1,614,397

	FY 2008	FY 2009	FY 2010	FY 2011
Overtime	215,875	225,050	234,615	244,586
New Members	219,454	228,781	238,504	248,640
Local Government	435,329	453,831	473,119	493,226

Grand Total	1,860,221	1,939,281	2,021,701	2,107,623
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Fiscal Note Request – SB0532, As Introduced

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$1,424,892	\$1,485,450	\$1,548,582	\$1,614,397
TOTAL Expenditures	<u>\$1,424,892</u>	<u>\$1,485,450</u>	<u>\$1,548,582</u>	<u>\$1,614,397</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$1,424,892	\$1,485,450	\$1,548,582	\$1,614,397
TOTAL Funding of Exp.	<u>\$1,424,892</u>	<u>\$1,485,450</u>	<u>\$1,548,582</u>	<u>\$1,614,397</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - Pension Funds (09)	\$1,860,221	\$1,939,281	\$2,021,701	\$2,107,623
TOTAL Revenues	<u>\$1,860,221</u>	<u>\$1,939,281</u>	<u>\$2,021,701</u>	<u>\$2,107,623</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(1,424,892)	(1,485,450)	(1,548,582)	(1,614,397)
Other - Pension Funds (09)	\$1,860,221	\$1,939,281	\$2,021,701	\$2,107,623

Effect on Local Governments:

1. The employer contribution rate will increase because the contribution rate in FURS is greater than the PERS contribution rate (6.9 percent to 14.36 percent).
2. It is projected that local governments (those reporting to FURS) will have to pay an additional contribution of \$215,875 in 2008; \$225,050 in 2009; \$234,615 in 2010; and \$244,586 in 2011 for the overtime (change in the definition of compensation) being included in salary.
3. It is projected that the local governments (probably three) will have to pay an additional contribution of \$219,454 in 2008; \$228,781 in 2009; \$238,504 in 2010; and \$248,640 in 2011. That is the projected salaries of the new members times the increased contribution rate of 7.56 percent (14.36 percent (FURS) minus 6.8 percent (PERS)).

<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
435,329	453,831	473,119	493,226

Long Range Impacts:

1. Including overtime pay in total compensation may significantly increase total compensation reported to FURS and increase benefits provided in the FURS.
2. The employer contribution rate will continue to increase until all employees become members of FURS.

Technical Notes:

1. If overtime pay is skewed toward the final averaging period in the members' career, sufficient revenue may not be generated to finance the higher benefits.

Sponsor's Initials

Date

Budget Director's Initials

Date

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING**Fiscal Note 2009 Biennium**

Bill #	SB0517	Title:	Revise time certain polling places are open
Primary Sponsor:	Black, Jerry W	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL ANALYSIS**Assumptions:**

1. This bill has no fiscal impact to the state.

Effect on County or Other Local Revenues or Expenditures:

1. There would be a positive impact to counties with precincts that have between 200 and 400 voters due to keeping polls open for a shorter period of time.

Sponsor's Initials

Date

Budget Director's Initials

Date



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # SB0534

Title: Redirect state trust land assets

Primary Sponsor: Wanzenried, David E

Status: As Introduced

- | | | |
|---|---|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund (01)	\$0	\$267,606	\$1,053,341	\$2,583,563
Guarantee Account (02)	\$0	(\$267,606)	(\$1,053,341)	(\$2,583,563)
SSR Timber Sale Account (02)	\$0	\$75,519	\$103,127	\$135,769
SSR CS Land Asset Account (02)	\$0	\$5,000,000	\$10,000,000	\$15,000,000
CS Permanent Fund Transfer (09)	\$0	\$5,000,000	\$10,000,000	\$15,000,000
Revenue:				
General Fund (01)	\$0	(\$23,233)	(\$72,732)	(\$151,791)
Guarantee Account (02)	\$0	(\$267,606)	(\$1,053,341)	(\$2,583,563)
SSR Timber Sale Account (02)	\$0	\$75,519	\$103,127	\$135,769
Technology Acquisition Acct (02)	\$0	(\$46,610)	\$99,680	\$801,103
CS Perm Fund (09)	\$0	(\$14,085)	(\$55,439)	(\$135,977)
SSR CS Land Asset Account (02)	\$0	\$5,000,000	\$10,000,000	\$15,000,000
University Mill Levy (02)	\$0	(\$301)	(\$903)	(\$1,806)
Net Impact-General Fund Balance	<u>\$0</u>	<u>(\$290,839)</u>	<u>(\$1,126,073)</u>	<u>(\$2,735,354)</u>

Description of fiscal impact:

This bill allows the board of land commissioners to exchange up to \$100 million of the common school permanent fund cash assets by purchasing fee simple interests in real property.

FISCAL ANALYSIS

Assumptions:

1. For the purposes of this fiscal note, it is assumed that all lands purchased are forested and legally accessible.
2. The Common Schools trust will be the sole beneficiary associated with the purchase of these lands.
3. The land acquisitions are shown as capital expenditures in each year of the biennium, except in the first year (FY 2008) due to the time needed to identify and finalize purchase plans.
4. The purchase price of the land will depend on the level of participation or contribution of outside partners. Therefore, approximately 80% of the lands purchased would be at \$300/acre and 20% at \$1000/acre.
5. No land would be purchased in FY 2008, 14,333 acres would be purchased in FY 2009 (13,333 ac @ \$300/ac + 1000 ac @ \$1,000/ac), 28,667 acres would be purchased in FY 2010 (26,667 ac @ \$300/ac + 2000 ac @ \$1,000/ac), and 43,000 acres would be purchased in FY 2011 (40,000 ac @ \$300/ac + 3000 ac @ \$1,000/ac). Approximately 86,000 acres would be purchased with the \$30 million.
6. Land acquisition costs are estimated at \$2 per acre for FY 2009, \$2.05 for FY 2010, and \$2.10 for FY 2011. These land acquisition costs would be paid from the Timber Sale Account (77-1-613, MCA) which is funded from timber revenue.
7. The land purchased will be combined with all other forested state trust lands and managed under the State Forest Land Management Plan (SFLMP) and all applicable laws and administrative rules (ARM 36.11.401 – 450).
8. There are currently 479,332 classified forest state trust land acres.
9. The lands purchased will have a similar productive capacity and proportion of productive and non-productive lands as existing forested state trust lands in the Northwest Land Office (NWLO).
10. The addition of these lands will result in an immediate and proportional increase in the sustained yield consistent with the most recent sustained yield study. The total acres purchased through FY 2011 will be 86,000 acres, which results in a proportional increase in the annual sustained yield of approximately 9.5 million board feet (MMBF). $(86,000 \text{ ac} \times 184.4 \text{ BF/ac/yr} \times .60 \text{ harvest of growth} = 9.52 \text{ MMBF/yr})$
11. The 3-year average stumpage value is \$230/MBF. Therefore, the additional annual sustained yield volume of 9.5 MMBF from the additional 86,000 acres would have an estimated value of \$2,185,000 annually $(9,500 \text{ MBF} \times \$230/\text{MBF} = \$2,185,000)$ and will occur in FY 2012.
12. The additional revenue from the increase in timber land will not be realized in FY 2009 because the timeframe between selling and actually harvesting the additional volume is around 12 months.
13. The revenue will increase yearly starting in FY 2010 to \$2,185,000 in FY 2012 based on the acreage purchased in the previous year.
14. Additional resources (FTE & operating expenses) will be needed to manage the additional acres and achieve the increased sustained yield. One additional FTE with associated operating expenses are being requested. Personal services expenses for the 1 new FTE are \$42,278 per year with annual operating expenses of \$1,000 per year, except for an additional \$3,575 in the first year to purchase office and computer equipment.
15. Common School timber revenue from the first 18 MMBF is distributed 95% to the guarantee account and 5% to the permanent fund. The revenue from any timber produced after 18 MMBF is distributed to the technology acquisition account. Projections of timber revenue through FY 2011 show more than 18 MMBF of timber produced each year. The additional timber revenue under SB 534 will increase the amount of revenue that will be deposited in the technology acquisition account.
16. The following table shows the projected expenditures on common school timber land under current law and under the proposed law. The proposed law will increase the amount of expenditures and it will change the allocation of timber harvest costs between BASE Aid finding and the technology acquisition

account. The following table also shows the additional revenue from SB 534 and the net impact of the timber revenue.

SB 534 Impact on Common School Trust Timber Revenue					
	Allocation of Costs	FY 2009	FY 2010	FY 2011	FY 2012
Current Expenditures		\$3,264,000	\$3,345,600	\$3,429,240	\$3,514,971
New Expenditures		\$75,519	\$103,127	\$135,769	\$167,006
Total		\$3,339,519	\$3,448,727	\$3,565,009	\$3,681,977
Current Law					
Expenses for Under 18 MMBF	38.28%	\$1,249,459	\$1,280,696	\$1,312,713	\$1,345,531
Expenses for Over 18 MMBF	61.72%	\$2,014,541	\$2,064,904	\$2,116,527	\$2,169,440
HB 534					
In FY 2009					
Expenses for Under 18 MMBF	38.28%	\$1,278,368			
Expenses for Over 18 MMBF	61.72%	\$2,061,151			
In FY 2010 - FY 2012					
Expenses for Under 18 MMBF	32.46%		\$1,119,344	\$1,157,085	\$1,195,049
Expenses for Over 18 MMBF	52.33%		\$1,804,752	\$1,865,604	\$1,926,814
New Expenses for Over 18 MMBF	15.21%		\$524,631	\$542,320	\$560,113
Difference					
Expenses for Under 18 MMBF		\$28,909	(\$161,352)	(\$155,628)	(\$150,482)
Expenses for Over 18 MMBF		\$46,610	\$264,479	\$291,397	\$317,487
Additional Revenue from SB 534					
Under 18 MMBF (BASE Aid)		\$0	\$0	\$0	\$0
Over 18 MMBF (Tech Acquisition)		\$0	\$364,158	\$1,092,500	\$2,185,000
Net Impact to Fund from Purchased					
Under 18 MMBF (BASE Aid)		(\$28,909)	\$161,352	\$155,628	\$150,482
Over 18 MMBF (Tech Acquisition)		(\$46,610)	\$99,680	\$801,103	\$1,867,513

17. As of 1/31/07, the cash balance in the common school permanent fund was \$396,722,726.
18. Pursuant to Section 2 (5) of SB 534, common school permanent fund cash will be deposited into the interest bearing common school asset management account (17-2-102) to purchase land.
19. It is assumed that the common school asset management account will have the same interest rates as the common school permanent fund. The interest rate for FY 2009 is projected to be 5.63% in HJR 2 and OBPP projects the permanent fund interest rate will be 5.54% in FY 2010 and 5.43 % in FY 2011.
20. The decrease in interest revenue to the guarantee account is estimated to be \$267,606 in FY 2009, \$1,053,341 in FY 2010, and \$2,583,563 in FY 2011. The decrease in interest revenue deposited in the permanent fund is \$14,085 in FY 2009, \$55439 in FY 2010, and \$135,977 in FY 2011.
21. The interest earning from the common school permanent fund are distributed 95% to the common school guarantee account and 5% back to the permanent fund. The interest earnings in the common school asset management account will be distributed in the same way. The money spent to purchase land will no longer earn interest, and the common school guarantee account receives less revenue.
22. The following table shows the net impact of SB 534 on the common school permanent fund, the common school guarantee account, the technology acquisition account, and the general fund.

SB 534 Impact on Common School Funding with Impacts from Interest			
	FY 2009	FY 2010	FY 2011
Common School Permanent Fund			
Land Purchase	\$5,000,000	\$10,000,000	\$15,000,000
Decrease in Interest Earnings (5%)	(\$14,085)	(\$55,439)	(\$135,977)
Net Permanent Fund Impact	\$4,985,916	\$9,944,561	\$14,864,023
Common School Guarantee Account			
Decrease in Interest Earnings (95%)	(\$267,606)	(\$1,053,341)	(\$2,583,563)
Timber Net Revenue	(\$28,909)	\$161,352	\$155,628
Reduced Expenditures for BASE Aid	\$296,514	\$891,990	\$2,427,935
Net Guarantee Acct Impact	\$0	\$0	\$0
Technology Acquisition Account			
Tech Acquisition Net Revenue	(\$46,610)	\$99,680	\$801,103
Change in Local Assistance to Schools	\$46,610	(\$99,680)	(\$801,103)
Net Technology Acquisition Impact	\$0	\$0	\$0

23. The state does not pay property tax on land in the common school trust. The purchase of timberland under this bill will yield a taxable value decrease in class 10 timberland property of \$14.333 million (14,333 acres x \$1000) in FY 2009, \$28.677 million (28,677 acres x \$1000) in FY 2010, and \$43.000 million (43,000 acres x \$1000) in FY 2011. The class 10 property tax rate is 0.34%.
24. As a result of this bill, there will be a 95.54 mill general fund revenue loss of \$4,793 (\$14.333 million x 0.0034 x 0.09554) in FY 2009, \$14,379 (\$28.677 million x 0.0034 x 0.09554) in FY 2010, and \$28,758 (\$43.000 million x 0.0034 x 0.09554).
25. The counties where this class 10 timberland is purchased will have a taxable value decrease in this type of property and therefore receive less revenue. The average statewide local mill levy grew by approximately 4.35% from calendar year 2000 to calendar year 2006 and this growth is assumed to continue into the future. The average statewide local mill levy in FY 2007 is 425.31. The average statewide local mill levy will be 463.12 (425.31 x 1.0435 x 1.0435) in FY 2009, 483.27 (463.12 x 1.0435) in FY 2010, and 504.29 (483.27 x 1.0435) in FY 2011.
26. As a result of this bill, there will be a local property tax revenue loss of \$23,233 ((\$14.333 million x 0.0034 x 0.46312) in FY 2009, \$72,732 (\$28.677 million x 0.0034 x 0.48327) in FY 2010, and \$151,791 (\$43.000 million x 0.0034 x 0.50429). There will be some replacement of these revenues through the guarantee tax BASE Aid for schools, but these amounts will be small.
27. As a result of this bill, there will be a 6 mill university special revenue loss of \$301 ((\$14.333 million x 0.0034 x 0.006) in FY 2009, \$903 (\$28.677 x 0.0034 x 0.006) in FY 2010, and \$1,806 (\$43.000 x 0.0034 x 0.006).
28. The total impact of HB 534 on property tax is shown in the following table.

HB 534 Impact on Property Tax			
	FY 2009	FY 2010	FY 2011
General Fund	(\$4,793)	(\$14,379)	(\$28,758)
Local Revenue	(\$23,233)	(\$72,732)	(\$151,791)
University Mill Levy	(\$301)	(\$903)	(\$1,806)
Total	(\$23,233)	(\$72,732)	(\$151,791)

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Local Assistance (02)	\$0	\$46,610	(\$99,680)	(\$801,103)
Land Purchases	\$0	\$5,000,000	\$10,000,000	\$15,000,000
Personal Services	\$0	\$42,278	\$43,335	\$44,418
Operations (FTE)	\$0	\$4,575	\$1,025	\$1,051
Operations-Land Acquisitions	\$0	\$28,666	\$58,767	\$90,300
Transfers	\$0	\$5,000,000	\$10,000,000	\$15,000,000
TOTAL Expenditures	\$0	\$10,075,519	\$20,103,127	\$30,135,769
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$267,606	\$1,053,341	\$2,583,563
Guarantee Account (02)	\$0	(\$267,606)	(\$1,053,341)	(\$2,583,563)
SSR Timber Sale Account (02)	\$0	\$75,519	\$103,127	\$135,769
SSR CS Land Asset Account (02)	\$0	\$5,000,000	\$10,000,000	\$15,000,000
CS Permanent Fund Transfer (09)	\$0	\$5,000,000	\$10,000,000	\$15,000,000
TOTAL Funding of Exp.	\$0	\$10,075,519	\$20,103,127	\$30,135,769
<u>Revenues:</u>				
General Fund (01)	\$0	(\$23,233)	(\$72,732)	(\$151,791)
Guarantee Account (02)	\$0	(\$267,606)	(\$1,053,341)	(\$2,583,563)
SSR Timber Sale Account (02)	\$0	\$75,519	\$103,127	\$135,769
Technology Acquisition Acct (02)	\$0	(\$46,610)	\$99,680	\$801,103
CS Perm Fund (09)	\$0	(\$14,085)	(\$55,439)	(\$135,977)
SSR CS Land Asset Account (02)	\$0	\$5,000,000	\$10,000,000	\$15,000,000
University Mill Levy (02)	\$0	(\$301)	(\$903)	(\$1,806)
TOTAL Revenues	\$0	\$4,723,684	\$9,020,392	\$13,063,735
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$290,839)	(\$1,126,073)	(\$2,735,354)
Guarantee Account (02)	\$0	\$0	\$0	\$0
SSR Timber Sale Account (02)	\$0	\$0	\$0	\$0
Technology Acquisition Acct (02)	\$0	(\$46,610)	\$99,680	\$801,103
CS Permanent Fund (09)	\$0	(\$5,014,085)	(\$10,055,439)	(\$15,135,977)
CS Land Asset Account (02)	\$0	\$0	\$0	\$0
University Mill Levy (02)	\$0	(\$301)	(\$903)	(\$1,806)

Long Range Impacts

1. Over the past three years, forested land in Western Montana has been appreciating annually at a rate of 4% to 12%, based on the desirability of the land. This appreciation has not been included in the fiscal note because the land will not be sold.
2. The loss in interest revenue to the trust is greater than the increase in timber revenue from the purchased land through out the years in the fiscal note. The net present value of the land purchases must be greater than the net present value of the interest earnings from the permanent fund for this project to occur. The net present value of the land includes appreciation and net projected revenue.

Effect on County or Other Local Revenues or Expenditures:

1. As discussed in assumptions 25 and 26, there is local property tax revenue loss of \$4,793 ($\$14.333 \text{ million} \times 0.0034 \times 0.46312$) in FY 2009, \$14,379 ($\$28.677 \text{ million} \times 0.0034 \times 0.48327$) in FY 2010, and \$28,758 ($\$43.000 \text{ million} \times 0.0034 \times 0.50429$) due to this bill.

UNANIMOUS

Sponsor's Initials

02-23-07

Date

[Signature]
Budget Director's Initials

2/23/07
Date